

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Statement of Changes in Fiduciary Net Assets	K 25
Notes to Financial Statements	26-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37-40
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets - Private Purpose Trusts	4 41-43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Private Purpose Trusts	5 44-47
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6 48
Comparison of Taxes and Intergovernmental Revenue	7 49
Schedule of Expenditures of Federal Awards	8 50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	51-52
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	53-54
Schedule of Findings and Questioned Costs	55-58

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September, 2004 Election)

Dale Emmert	President	2004
Cheryl Elsbury-Reiher	Vice President	2006
Becky Kemming		2006
Jason Leonard		2005
Dennis Epley		2005

(After September, 2004 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2006
Becky Kemming		2006
Jason Leonard		2005
Dennis Epley		2005

SCHOOL OFFICIALS

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

Independent Auditor's Report

To the Board of Education of the
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Waverly-Shell Rock Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 4, 2005 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink
Certified Public Accountant

October 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

This section of the Waverly-Shell Rock Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2005. Please read it in conjunction with the District's financial statements.

2005 FINANCIAL HIGHLIGHTS

- The District had revenues of \$13,328,400 and \$13,562,624 was spent during the year. The District's financial solvency ratio as of June 30, 2005 was 15.06%.
- The District experienced again a declining enrollment. The September 2003 enrollment was 1918.1, while the September 2004 enrollment was 1847.06.
- The number net open-enrolled students continued to increase from 68.0 in FY2004 to 75.2 in FY2005.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District.
- An English teacher, a physical education teacher, a music teacher, and a guidance counselor are being shared with the Janesville Consolidated School District. This has allowed for some cost savings.
- The State of Iowa deducted a total of \$51,252 from the State Foundation Aid payments to help support the state's juvenile homes during FY2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements, and required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Waverly-Shell Rock Community School District

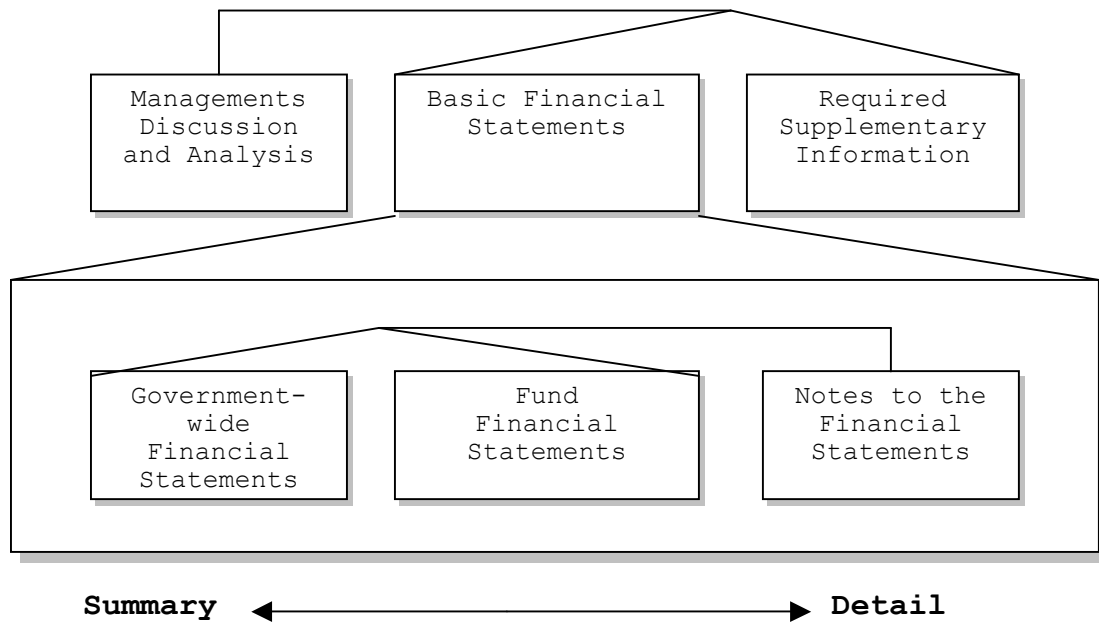


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

COMBINED BALANCE SHEET

The combined balance sheet shows the total assets, liabilities, and fund equity for all of the funds for the entire district for the 2005 fiscal year. The combined balance sheet shows three major fund types as well as the account groups: general fixed assets and the general long-term debt.

The government funds include: the general fund, special revenue, debt service, and capital projects. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, administration, and capital projects. Property taxes and state aid finance most of these activities.

The proprietary funds include: enterprise funds and internal services. Waverly-Shell Rock Community Schools' only enterprise fund is the school nutrition fund. The internal service fund is used to accumulate the funds for health insurance and to pay the health insurance invoices. The money coming into the internal service fund is from the Board's payroll allocation to health insurance, the payroll deductions for health insurance, and money from retirees for their insurance.

The fiduciary funds include: trusts and agencies. The District is the trustee or fiduciary for assets that belong to others, such as some scholarship funds and funds belonging to the W-SR Athletic Boosters. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from other types of funds because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

	Figure A-3 Condensed Statement of Net Assets (expressed in thousands)						
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	9,973	9,694	122	111	10,095	9,805	2.87%
Capital assets	5,104	4,943	25	34	5,129	4,977	2.96%
Total assets	15,077	14,637	147	145	15,224	14,782	2.90%
Current liabilities	6,261	5,997	34	27	6,295	6,024	4.31%
Non-current liabilities	1,790	2,261	-	-	1,790	2,261	-26.31%
Total liabilities	8,051	8,258	34	27	8,085	8,285	-2.47%
Net Assets							
Invested in capital assets, net of related debt	3,564	2,683	25	34	3,589	2,717	24.30%
Restricted	1,299	1,041	-	-	1,299	1,041	19.86%
Unrestricted	2,163	2,655	88	84	2,251	2,739	21.68%
Total net assets	7,026	6,379	113	118	7,139	6,497	8.99%

The District's combined net assets were \$7,139,801 at June 30, 2005. This represents a 9.0 percent increase over the prior year.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4 Change in Net Assets (expressed in thousands)			
	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	1,314	631	1,945
Operating grants, contributions and restricted interest	2,377	234	2,611
General revenues:			
Property tax	4,809	-	4,809
Unrestricted state grants	6,430	-	6,430
Local option sales tax	687	-	687
Unrestricted investment earnings	19	-	19
Other	43	-	43
Total revenues	<u>15,679</u>	<u>865</u>	<u>16,544</u>
Program expenses:			
Governmental activities:			
Instruction	10,167	-	10,167
Support Services	3,864	-	3,864
Non-instructional programs	-	869	869
Other expenses	1,001	-	1,001
Total expenses	<u>15,032</u>	<u>869</u>	<u>15,901</u>
Change in net assets	<u>647</u>	<u>(4)</u>	<u>643</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,679,318 and expenses were \$15,032,308. The District continued to reduce travel and field trips during FY2005, and relied on increased revenues from open enrollment and their regional alternative high school to fund their general fund expenditures. Revenues from governmental activities were \$647,010 larger than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	10,167	7,222
Support Services	3,864	3,701
Other expenses	<u>1,001</u>	<u>418</u>
Totals	<u>15,032</u>	<u>11,341</u>

- The cost financed by users of the District's programs was \$1,314,456.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,428,246.
- The net cost of governmental activities was financed with \$5,064,299 in property tax, \$6,052,167 in state foundation aid, and \$102,209 in interest income.

Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$864,999 and expenses were \$869,292. The revenues include: charges for services, contributions, and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold, and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups, and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$7,026,137, which is 10% larger than last year's ending fund balance of \$6,379,127.

- The District has been controlling the decline of its General Fund balance by cutting classroom building budgets, greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District has helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is planning to use local option sales tax dollars to add a gym and auditorium to the senior high school.
- The District had to spend over \$152,000 in the period of time from November 2004 to September 2005, to remove an offensive odor from West Cedar Elementary caused by a mastic remover called Attack 2000 applied by a company out of Waterloo, Iowa. The mastic remover was applied too liberally and without taking proper care.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2005, the District has invested more than \$5.1 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$380,000.

Long-term Debt

The District continues to pay off general obligation school bonds. The remaining \$1,540,000 worth of bonds carries with them interest costs of \$86,860. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

Capital Loan Notes

The District built the school administration building and an art wing addition to the high school in 1995 using money obtained through capital loan notes. Part of the money generated through the physical plant and equipment levy is used to pay off the principal and interest on the capital loan notes. The last payment was made by June 1, 2005.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Classroom building budgets were cut by 25% for the fiscal year 2005.
- The District levied \$150,000 allowable growth for dropout prevention.
- The District's employee group health insurance moved to higher deductible; maximum out-of-pocket; and co-pays to help keep the monthly premiums at rates more affordable to the District and the employees for fiscal year 2005.
- State Foundation Aid dollars to the district increased by \$7,689 from FY2005 to FY2006. Property tax dollars for the General Fund declined by \$141,890 from FY2005 to FY2006.
- The District will begin receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly, is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	4,335,383	93,723	4,429,106
Receivables:			
Property tax:			
Current year	42,684	-	42,684
Succeeding year	4,894,541	-	4,894,541
Due from other governments	698,223	15,132	713,355
Other receivables	100	-	100
Inventories	-	12,996	12,996
Prepaid expenses	2,670	-	2,670
Capital assets, net of accumulated depreciation (note 3)	5,103,638	25,556	5,129,194
Total assets	<u>15,077,239</u>	<u>147,407</u>	<u>15,224,646</u>
Liabilities			
Accounts payable	233,136	-	233,136
Accrued salary and benefits	1,130,778	33,743	1,164,521
Accrued interest payable	2,675	-	2,675
Deferred revenue:			
Succeeding year property tax	4,894,541	-	4,894,541
Long term liabilities:			
Portion due within one year:			
Bonds payable	370,000	-	370,000
Early retirement	100,864	-	100,864
Portion due after one year:			
Bonds payable	1,170,000	-	1,170,000
Early retirement	149,108	-	149,108
Total liabilities	<u>8,051,102</u>	<u>33,743</u>	<u>8,084,845</u>
Net assets			
Invested in capital assets, net of related debt	3,563,638	25,556	3,589,194
Restricted for:			
Debt service	325,930	-	325,930
Physical plant and equipment levy	349,596	-	349,596
Capital projects	232,286	-	232,286
Health insurance	391,609	-	391,609
Unrestricted	2,163,078	88,108	2,251,186
Total net assets	<u>7,026,137</u>	<u>113,664</u>	<u>7,139,801</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:						
Regular instruction	6,080,269	1,069,834	570,770	(4,439,665)	-	(4,439,665)
Special instruction	2,489,971	130,337	313,108	(2,046,526)	-	(2,046,526)
Other instruction	1,597,010	-	861,403	(735,607)	-	(735,607)
	<u>10,167,250</u>	<u>1,200,171</u>	<u>1,745,281</u>	<u>(7,221,798)</u>	<u>-</u>	<u>(7,221,798)</u>
Support services:						
Student services	334,727	-	8,093	(326,634)	-	(326,634)
Instructional staff services	562,566	-	-	(562,566)	-	(562,566)
Administration services	1,397,024	-	-	(1,397,024)	-	(1,397,024)
Operation and maintenance of plant services	1,121,118	-	32,867	(1,088,251)	-	(1,088,251)
Transportation services	448,763	114,285	8,196	(326,282)	-	(326,282)
	<u>3,864,198</u>	<u>114,285</u>	<u>49,156</u>	<u>(3,700,757)</u>	<u>-</u>	<u>(3,700,757)</u>
Other expenditures:						
Facilities acquisition	40,367	-	267	(40,100)	-	(40,100)
Interest on long term debt	41,581	-	38,561	(3,020)	-	(3,020)
Long-term debt service	300	-	-	(300)	-	(300)
AEA flowthrough	544,101	-	544,101	-	-	-
Depreciation (unallocated) *	374,511	-	-	(374,511)	-	(374,511)
	<u>1,000,860</u>	<u>-</u>	<u>582,929</u>	<u>(417,931)</u>	<u>-</u>	<u>(417,931)</u>
Total governmental activities	15,032,308	1,314,456	2,377,366	(11,340,486)	-	(11,340,486)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	Expenses	Service				
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	869,292	631,137	233,862	-	(4,293)	(4,293)
Total	15,901,600	1,945,593	2,611,228	(11,340,486)	(4,293)	(11,344,779)
General revenues:						
Property tax levied for:						
General purposes				4,083,301	-	4,083,301
Management fund				244,845	-	244,845
Debt service				342,601	-	342,601
Capital outlay				137,673	-	137,673
Local option sales tax				687,408	-	687,408
Unrestricted state grants				6,429,625	-	6,429,625
Unrestricted investment earnings				19,066	-	19,066
Other				42,977	-	42,977
Total general revenue				11,987,496	-	11,987,496
Change in net assets				647,010	(4,293)	642,717
Net assets beginning of year				6,379,127	117,957	6,497,084
Net assets end of year				7,026,137	113,664	7,139,801

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	<u>General</u>	<u>Debt</u>	<u>Capital</u>	<u>Non-major</u>	<u>Total</u>
	<u>\$</u>	<u>Service</u>	<u>Projects</u>	<u>Special</u>	<u>\$</u>
				<u>Revenue</u>	
				<u>\$</u>	<u>\$</u>
Assets					
Cash and pooled investments	2,832,132	323,242	33,226	755,274	3,943,874
Receivables:					
Property tax:					
Current year	37,187	2,688	-	2,809	42,684
Succeeding year	4,224,196	302,400	-	367,945	4,894,541
Due from other governments	499,163	-	199,060	-	698,223
Prepaid expenses	<u>2,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,670</u>
Total assets	<u>7,595,348</u>	<u>628,330</u>	<u>232,286</u>	<u>1,126,028</u>	<u>9,581,992</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	233,136	-	-	-	233,136
Accrued salary and benefits	1,130,778	-	-	-	1,130,778
Deferred revenue:					
Succeeding year property tax	<u>4,224,196</u>	<u>302,400</u>	<u>-</u>	<u>367,945</u>	<u>4,894,541</u>
Total liabilities	<u>5,588,110</u>	<u>302,400</u>	<u>-</u>	<u>367,945</u>	<u>6,258,455</u>
Fund balances:					
Reserved for debt service	-	325,930	-	-	325,930
Reserved for capital projects	-	-	232,286	-	232,286
Unreserved, designated for cash flow	1,800,000	-	-	-	1,800,000
Unreserved	<u>207,238</u>	<u>-</u>	<u>-</u>	<u>758,083</u>	<u>965,321</u>
Total fund balances	<u>2,007,238</u>	<u>325,930</u>	<u>232,286</u>	<u>758,083</u>	<u>3,323,537</u>
Total liabilities and fund balances	<u>7,595,348</u>	<u>628,330</u>	<u>232,286</u>	<u>1,126,028</u>	<u>9,581,992</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 3,323,537
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal Service fund assets that are to be included with governmental funds.	391,609
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,103,638
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,675)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(1,789,972)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 7,026,137</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	4,083,301	342,601	687,408	382,518	5,495,828
Tuition	783,604	-	-	-	783,604
Other	603,659	38,241	266	859,249	1,501,415
State sources	7,529,032	320	-	315	7,529,667
Federal sources	328,804	-	-	-	328,804
Total revenues	<u>13,328,400</u>	<u>381,162</u>	<u>687,674</u>	<u>1,242,082</u>	<u>15,639,318</u>
Expenditures:					
Instruction:					
Regular instruction	6,147,804	-	-	-	6,147,804
Special instruction	2,489,971	-	-	-	2,489,971
Other instruction	776,685	-	-	820,325	1,597,010
	<u>9,414,460</u>	<u>-</u>	<u>-</u>	<u>820,325</u>	<u>10,234,785</u>
Support services					
Student services	334,727	-	-	-	334,727
Instructional staff services	562,566	-	-	-	562,566
Administration services	1,198,521	-	-	198,503	1,397,024
Operation and maintenance of plant services	1,076,343	-	-	93,707	1,170,050
Transportation services	431,906	-	-	87,497	519,403
	<u>3,604,063</u>	<u>-</u>	<u>-</u>	<u>379,707</u>	<u>3,983,770</u>
Other expenditures					
Facilities acquisition	-	-	455,770	-	455,770
Principal on long-term debt	-	460,000	-	-	460,000
Interest on long-term debt	-	42,443	-	-	42,443
Long-term debt services	-	300	-	-	300
AEA flowthrough	544,101	-	-	-	544,101
	<u>544,101</u>	<u>502,743</u>	<u>455,770</u>	<u>-</u>	<u>1,502,614</u>
Total expenditures	<u>13,562,624</u>	<u>502,743</u>	<u>455,770</u>	<u>1,200,032</u>	<u>15,721,169</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(234,224)	(121,581)	231,904	42,050	(81,851)
Other financing sources (uses):					
Sale of real property	-	-	-	40,000	40,000
Operating transfers in	-	100,415	-	-	100,415
Operating transfers out	-	-	-	(100,415)	(100,415)
Total other financial sources (uses)	-	100,415	-	(60,415)	40,000
Net change in fund balance	(234,224)	(21,166)	231,904	(18,365)	(41,851)
Fund balances beginning of year	2,241,462	347,096	382	776,448	3,365,388
Fund balances end of year	2,007,238	325,930	232,286	758,083	3,323,537

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (41,851)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 534,975	
Depreciation expense	<u>(374,511)</u>	160,464

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	460,000
---	---------

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(90,329)	
Payments	<u>100,864</u>	10,535

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	862
--	-----

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.	<u>57,000</u>
---	---------------

Change in net assets of governmental activities (Exhibit B) \$ 647,010

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

Year ended June 30, 2005

	Business Type School Nutrition \$	Governmental Activities Internal Service
Assets		
Cash and pooled investments	93,723	391,509
Other receivables	15,132	100
Inventories	12,996	-
Capital assets, net of accumulated depreciation	25,556	-
Total assets	147,407	391,609
Liabilities		
Accrued salary and benefits	33,743	-
Total liabilities	33,743	-
Net Assets		
Invested in capital assets, net of related debt	25,556	-
Restricted for health insurance	-	391,609
Unrestricted	88,108	-
Total net assets	113,664	391,609

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year ended June 30, 2005

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	\$
Operating revenue:		
Local sources:		
Charges for services	631,137	937,620
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	353,100	-
Benefits	50,716	-
Supplies	435,070	-
Property	14,510	-
Other	7,263	-
Depreciation	8,633	-
	869,292	-
Internal service programs:		
Benefits	-	880,620
Total operating expenses	869,292	880,620
Operating profit (loss)	(238,155)	57,000
Non-operating revenues:		
State sources	8,892	-
Federal sources	224,970	-
	233,862	-
Net change in assets	(4,293)	57,000
Net assets beginning of year	117,957	334,609
Net assets end of year	113,664	391,609

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

	Enterprise School Nutrition \$	Internal Service Health Insurance \$
Cash flows from operating activities:		
Cash received from sale of services	617,882	937,587
Cash payments to employees for services	(397,335)	(880,620)
Cash payments to suppliers for goods or services	(398,450)	-
Net cash provided by (used in) operating activities	(177,903)	56,967
Cash flows from non-capital financing activities:		
State grants received	8,892	-
Federal grants received	167,362	-
Net cash provided by non-capital financing activities	176,254	-
Net increase (decrease) in cash and cash equivalents	(1,649)	56,967
Cash and cash equivalents beginning of year	95,372	334,542
Cash and cash equivalents end of year	93,723	391,509
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	(238,155)	57,000
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,633	-
Commodities used	57,608	-
(Increase) in other receivables	(13,255)	(33)
Decrease in inventory	785	-
Increase in accrued payroll and benefits	6,481	-
	(177,903)	56,967
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	93,723	391,509

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$57,608.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trusts	Agency Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	106,103	50,878	156,981
Total assets	106,103	50,878	156,981
Liabilities			
Other payables	-	50,878	50,878
Net Assets			
Reserved for scholarships	59,441	-	59,441
Unreserved, undesignated	46,662	-	46,662
Total net assets	106,103	-	106,103

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts \$
Additions:	
Local sources:	
Interest on investments	514
Contributions	42,890
Total additions	43,404
Deductions:	
Support services:	
Supplies	38,288
Scholarships	2,100
Total deductions	40,388
Change in net assets	3,016
Net assets beginning of year	103,087
Net assets end of year	106,103

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,680	-	-	61,680
Capital assets being depreciated:				
Buildings	9,595,371	258,338	-	9,853,709
Improvements other than buildings	293,254	157,065	-	450,319
Furniture and Equipment	3,239,321	119,572	49,700	3,309,193
Total capital assets being depreciated	13,127,946	534,975	49,700	13,613,221
Less accumulated depreciation for:				
Buildings	4,996,426	111,866	-	5,108,292
Improvements other than buildings	251,532	33,560	-	285,092
Furniture and Equipment	2,998,494	229,085	49,700	3,177,879
Total accumulated depreciation	8,246,452	374,511	49,700	8,571,263
Total capital assets being depreciated, net	4,881,494	160,464	-	5,041,958
Governmental activities, capital assets, net	4,943,174	160,464	-	5,103,638

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and Equipment	307,167	-	-	307,167
Less accumulated depreciation	272,978	8,633	-	281,611
	<u>\$ 34,189</u>	<u>(8,633)</u>	<u>-</u>	<u>25,556</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 374,511

Business type activities:

Food service operations \$ 8,633

(4) Bonds Payable

The District refinanced its outstanding bonded indebtedness on June 30, 2003. All previous indebtedness was paid off. Interest savings are estimated to be \$223,913. Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates %	Principal \$	Interest \$	Total \$
2006	1.60	370,000	32,100	402,100
2007	2.00	380,000	26,180	406,180
2008	2.20	390,000	18,580	408,580
2009	2.50	<u>400,000</u>	<u>10,000</u>	<u>410,000</u>
Total		<u>1,540,000</u>	<u>86,860</u>	<u>1,626,860</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Capital Loan Notes	Early Retirement Payable	Total
Balance beginning of year	\$1,905,000	95,000	260,507	2,260,507
Additions	-	-	90,329	90,329
Reductions	<u>365,000</u>	<u>95,000</u>	<u>100,864</u>	<u>560,864</u>
Balance end of year	<u>\$1,540,000</u>	<u>-</u>	<u>249,972</u>	<u>1,789,972</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$472,387, \$450,019, and \$450,573 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$544,101 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2005 totaled \$100,864.

(9) Capital Loan Notes

The capital loan notes were fully paid off during Fiscal Year 2005.

(10) Interfund Transfers

The detail of interfund transfers for the year ending June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General	
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>\$100,415</u>

(11) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	7,780,847	631,137	8,411,984	8,356,456	8,356,456	55,528
State sources	7,529,667	8,892	7,538,559	7,350,200	7,350,200	188,359
Federal sources	328,804	224,970	553,774	665,200	665,200	(111,426)
Total revenues	15,639,318	864,999	16,504,317	16,371,856	16,371,856	132,461
Expenditures						
Instruction	10,334,785	-	10,334,785	10,357,600	10,548,600	213,815
Support services	3,883,770	-	3,883,770	3,901,000	3,901,000	17,230
Non-instructional programs	-	869,292	869,292	1,317,000	1,317,000	447,708
Other expenditures	1,502,614	-	1,502,614	1,572,539	1,772,539	269,925
Total expenditures	15,721,169	869,292	16,590,461	17,148,139	17,539,139	948,678
Excess (deficiency) of revenues over (under) expenditures	(81,851)	(4,293)	(86,144)	(776,283)	(1,167,283)	1,081,139
Other financing sources (uses)	40,000	-	40,000	-	-	40,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(41,851)	(4,293)	(46,144)	(776,283)	(1,167,283)	1,121,139
Balance beginning of year	3,365,388	117,957	3,483,345	2,209,370	2,209,370	1,273,975
Balance end of year	3,323,537	113,664	3,437,201	1,433,087	1,042,087	2,395,114

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$388,000.

During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	167,947	238,815	348,512	755,274
Property tax receivable:				
Current year	1,725	-	1,084	2,809
Succeeding year	227,443	-	140,502	367,945
Total assets	<u>397,115</u>	<u>238,815</u>	<u>490,098</u>	<u>1,126,028</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	227,443	-	140,502	367,945
Fund equity:				
Unreserved fund balance	<u>169,672</u>	<u>238,815</u>	<u>349,596</u>	<u>758,083</u>
Total liabilities and fund equity	<u>397,115</u>	<u>238,815</u>	<u>490,098</u>	<u>1,126,028</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Non-major Special Revenue Funds

Year ended June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	244,845	-	137,673	382,518
Other	315	826,696	32,238	859,249
State sources	186	-	129	315
Total revenues	<u>245,346</u>	<u>826,696</u>	<u>170,040</u>	<u>1,242,082</u>
Expenditures:				
Instruction:				
Other instruction	-	820,325	-	820,325
Support services:				
General administration	198,503	-	-	198,503
Plant operation and maintenance	44,775	-	48,932	93,707
Student transportation	16,857	-	70,640	87,497
Other expenditures:				
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>260,135</u>	<u>820,325</u>	<u>119,572</u>	<u>1,200,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,789)</u>	<u>6,371</u>	<u>50,468</u>	<u>42,050</u>
Other financing sources (uses):				
Sale of real property	-	-	40,000	40,000
Operating transfers out	-	-	(100,415)	(100,415)
Total operating financing sources (uses)	<u>-</u>	<u>-</u>	<u>(60,415)</u>	<u>(60,415)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(14,789)</u>	<u>6,371</u>	<u>(9,947)</u>	<u>(18,365)</u>
Fund balances beginning of year	<u>184,461</u>	<u>232,444</u>	<u>359,543</u>	<u>776,448</u>
Balance end of year	<u><u>169,672</u></u>	<u><u>238,815</u></u>	<u><u>349,596</u></u>	<u><u>758,083</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Vocal Music	6,102	18,546	16,905	7,743
JH Variety Vocal	2,735	7,351	9,019	1,067
Instrumental Music	315	13,641	13,584	372
Shell Rock Band	1,386	3,035	3,124	1,297
Miscellaneous Sports	157	31,835	29,458	2,534
JH Track	103	1,075	1,135	43
Cross Country	115	2,042	1,560	597
Boys Basketball	3,083	16,394	15,897	3,580
JH Boys Basketball	60	1,600	1,486	174
Football	5,259	13,825	16,827	2,257
JH Football	42	785	794	33
Boys Soccer	1,881	13,023	14,876	28
Baseball	(832)	13,316	9,464	3,020
Boys Track	52	9,270	8,356	966
Boys Tennis	25	762	783	4
Boys Golf	(178)	1,655	1,300	177
Wrestling	2,978	16,735	17,741	1,972
Weightlifting	989	5,874	3,520	3,343
JH Wrestling	25	500	504	21
Girls Basketball	544	8,480	8,303	721
JH Girls Basketball	100	1,200	1,102	198
Girls Volleyball	190	10,611	10,111	690
JH Girls Volleyball	100	1,864	1,896	68
Girls Soccer	2,511	11,477	12,657	1,331
Girls Softball	(534)	7,693	5,501	1,658
Girls Track	(228)	6,333	5,928	177
Girls Tennis	(5)	555	452	98
Girls Golf	(653)	1,200	405	142
Dance Team	603	1,565	1,674	494
Masquers	1,502	2,739	2,614	1,627
Art Club	333	5,145	3,158	2,320
Boys W Club	867	156	-	1,023
Science Club	5,628	638	1,901	4,365
National Honor Society	353	3,129	3,166	316
Coupon Card	2,570	-	2,570	-
Publications	1,934	113	246	1,801
Student Senate	1,329	4,505	5,251	583
Student Lounge	5,595	13,956	16,592	2,959
SADD	580	120	217	483
Class of 2005	217	6,200	6,670	(253)
Class of 2006	140	1,960	1,548	552
Class of 2007	100	-	-	100
Class of 2004	2,901	2,110	4,411	600

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Varsity Club	4,448	1,629	4,091	1,986
Annual	22,602	29,729	39,414	12,917
Guidance Transcripts	1,934	146	-	2,080
French Club	230	2,976	2,604	602
Spanish Club Student Accounts	6,797	9,429	7,144	9,082
Spanish Club Operating Accounts	371	381	100	652
FFA	3,628	24,100	24,985	2,743
German Club	1,106	1,374	1,599	881
DECA	2,417	33,301	31,967	3,751
String Music	548	6,977	6,151	1,374
Cheerleaders	(4,960)	14,804	9,903	(59)
Band Uniform Cleaning	1,181	1,882	3,063	-
HS Basketball Cheerleaders	195	2,612	3,801	(994)
HS Wrestling Cheerleaders	673	955	1,543	85
JH Cheerleaders	1,070	166	61	1,175
JH Student Council	3,038	2,273	3,445	1,866
JH Activity	9,117	19,823	16,363	12,577
JH Annual	1,353	1,131	713	1,771
JH Cookie Sales	1,222	1,898	2,415	705
Blake/Mackey Rental & Repair	3,075	1,953	2,608	2,420
Irving Account	2,671	920	2,615	976
Buxton TAG	1,439	857	817	1,479
Shell Rock Activity Fund	1,704	5,248	2,872	4,080
Carey Account	724	1,505	333	1,896
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	566	659	981	244
MOC	281	380	393	268
Elementary Chorus - Hansen	120	3,169	2,794	495
German Club Obligations	-	683	159	524
Other Activities	41,814	12,482	13,290	41,006
Pictures	1,468	1,953	1,423	1,998
Christmas Card	1,228	2,951	3,000	1,179
Change Fund	(2,647)	3,911	3,779	(2,515)
Books	574	61,840	56,840	5,574
Activity Tickets	-	1,286	192	1,094
School Lunch	733	48,136	47,816	1,053
Transportation pop	(64)	991	924	3
W-SR Wilderness	2,002	5,794	5,736	2,060
Instrumental Repair	(862)	3,286	2,233	191
HS Strings Fundraising	-	5,300	4,369	931
PE Stores	1,812	4,529	1,725	4,616
String Music Stores	(571)	856	452	(167)
Band Stores - High School	(24)	3,543	2,874	645
Calculators - HS Math Dept	630	5,487	5,964	153
SH Band Fundraiser	5,546	26,735	27,824	4,457

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Home Ec Stores	982	427	743	666
Ind Tech Stores - HS	653	11,859	13,022	(510)
HS Pop	3,855	5,153	4,123	4,885
High School Library	1,611	655	841	1,425
JH Courtesy	445	188	253	380
JH Band Stores	(65)	795	771	(41)
JH Tech Stores	552	1,621	1,675	498
JH Library	265	368	685	(52)
Shop Group Shell Rock	444	-	-	444
JH Chess Club	112	-	-	112
JH Video Club	62	1,100	1,049	113
HS Special Education Foods	-	199	199	-
Shell Rock Pop	498	744	600	642
Entrepreneurship Class	383	24,301	24,151	533
Recycling - Carlson	287	304	88	503
Bus Buddies	956	-	-	956
JH Home Economics	86	1,231	1,081	236
Southeast Library	81	43	29	95
Carey Library	118	122	53	187
Irving Library	113	132	58	187
Shell Rock Library	185	61	27	219
JH Art	1,274	931	653	1,552
West Cedar Library	122	43	59	106
Southeast School	5,208	2,858	3,179	4,887
Business Office - Miscellaneous	3,338	2,445	5,676	107
TAG Award	1,046	-	841	205
JH Plus Program	100	-	-	100
Irving Transportation Donation	732	2,000	463	2,269
Irving Playground Account	252	-	-	252
Mr. Winter's Account	560	598	490	668
HS Character Counts	222	110	243	89
HS Vocal Music Fund Raising	4,040	22,154	18,463	7,731
Electric Car Fund	19	-	19	-
HS Vocal Music	-	12,174	-	12,174
HS Vocal Music Account	6,789	2,003	5,689	3,103
HS Vocal Music Trips	(3,493)	6,011	2,518	-
HS Musical	2,706	3,712	4,893	1,525
Florida Band Trip	19,507	71,747	91,254	-
HS Vocal Music Uniform Account	2,236	2,314	1,872	2,678
D Wiltse Transportation Donation	398	-	390	8
High School Jazz	1,723	3,401	3,276	1,848
String Rental	360	40	326	74
Transportation - West Cedar	(14)	590	441	135
Elem Art Contest	88	-	-	88
Elem Art	388	-	271	117
Mrs. Ribich Class Project	39	-	-	39

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Elem & JH String Rentals	(2)	738	464	272
Elem & JH String Stores	(504)	637	133	-
JH At Risk	-	1,179	1,316	(137)
JH Math	-	636	-	636
PLUS Program Math Competition	643	881	1,537	(13)
SH Transportation Monies	474	-	-	474
HS Donation (Bock)	1,352	1,560	-	2,912
Mrs Whitney/Mrs Podhajsky	-	215	-	215
7th Grade Team	-	1,744	683	1,061
8th Grade Team	-	695	270	425
Flex Team (Green)	(17)	1,088	627	444
Encore Team	-	367	49	318
JH Teachers Association	-	172	121	51
HS Advance Placement	276	4,182	3,977	481
JH Juice	496	7,115	6,353	1,258
Research (Slessor)	250	-	250	-
Total	232,444	826,696	820,325	238,815

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	Carey Parents	Southeast Parents	W. Cedar Parents	Dierks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account	HS Special Education
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash and pooled investments	6,771	68	5,499	50,092	7,803	431	130	230	3,481
	<u>6,771</u>	<u>68</u>	<u>5,499</u>	<u>50,092</u>	<u>7,803</u>	<u>431</u>	<u>130</u>	<u>230</u>	<u>3,481</u>
Net Assets									
Reserved for scholarships	-	-	-	50,092	7,803	-	-	-	-
Unreserved	6,771	68	5,499	-	-	431	130	230	3,481
	<u>6,771</u>	<u>68</u>	<u>5,499</u>	<u>50,092</u>	<u>7,803</u>	<u>431</u>	<u>130</u>	<u>230</u>	<u>3,481</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	Irving T. Hirst	Jr High S Beall	West Cedar Rozen	Carey Gomes	Shell Rock Huberg	Shell Rock Greenlee	West Cedar Obermeier	Jr High Harrell	High School Podhajsky
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash and pooled investments	95	233	200	(3)	8	249	35	227	1,110
	<u>95</u>	<u>233</u>	<u>200</u>	<u>(3)</u>	<u>8</u>	<u>249</u>	<u>35</u>	<u>227</u>	<u>1,110</u>
Net Assets									
Reserved for scholarships	-	-	-	-	-	-	-	-	-
Unreserved	95	233	200	(3)	8	249	35	227	1,110
	<u>95</u>	<u>233</u>	<u>200</u>	<u>(3)</u>	<u>8</u>	<u>249</u>	<u>35</u>	<u>227</u>	<u>1,110</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	HS Inclusion	HS Art Scholarship	Pepsi Donation	Globe Project	Soesbe McElroy Funds	Greelee WalMart	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and pooled investments	<u>176</u>	<u>1,546</u>	<u>26,000</u>	<u>48</u>	<u>820</u>	<u>854</u>	<u>106,103</u>
	<u>176</u>	<u>1,546</u>	<u>26,000</u>	<u>48</u>	<u>820</u>	<u>854</u>	<u>106,103</u>
Net Assets							
Reserved for scholarships	-	1,546	-	-	-	-	59,441
Unreserved	<u>176</u>	<u>-</u>	<u>26,000</u>	<u>48</u>	<u>820</u>	<u>854</u>	<u>46,662</u>
	<u>176</u>	<u>1,546</u>	<u>26,000</u>	<u>48</u>	<u>820</u>	<u>854</u>	<u>106,103</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	Carey Parents	Southeast Parents	W. Cedar Parents	Diercks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Interest on investments	-	-	-	514	-	-	-	-
Contributions	10,929	115	16,062	3,000	40	578	-	1,454
	<u>10,929</u>	<u>115</u>	<u>16,062</u>	<u>3,514</u>	<u>40</u>	<u>578</u>	<u>-</u>	<u>1,454</u>
Expenditures:								
Instruction:								
Regular instruction:								
Supplies	12,129	37	14,235	-	-	285	61	1,422
Other	-	-	-	1,600	-	-	-	-
	<u>12,129</u>	<u>37</u>	<u>14,235</u>	<u>1,600</u>	<u>-</u>	<u>285</u>	<u>61</u>	<u>1,422</u>
Excess (deficiency) of revenues over (under) expenditures	(1,200)	78	1,827	1,914	40	293	(61)	32
Balance beginning of year	<u>7,971</u>	<u>(10)</u>	<u>3,672</u>	<u>48,178</u>	<u>7,763</u>	<u>138</u>	<u>191</u>	<u>198</u>
Balance end of year	<u><u>6,771</u></u>	<u><u>68</u></u>	<u><u>5,499</u></u>	<u><u>50,092</u></u>	<u><u>7,803</u></u>	<u><u>431</u></u>	<u><u>130</u></u>	<u><u>230</u></u>

Waverly-Shell Rock Community School District

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	HS Special Education	Irving Hirst	Jr High Beall	West Cedar Rozen	Carey Gomes	Shell Rock Huberg	Shell Rock Greenlee	West Cedar Obermeier
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Interest on investments	-	-	-	-	-	-	-	-
Contributions	15	93	93	193	93	93	93	93
	<u>15</u>	<u>93</u>	<u>93</u>	<u>193</u>	<u>93</u>	<u>93</u>	<u>93</u>	<u>93</u>
Expenditures:								
Instruction:								
Regular instruction:								
Supplies	322	-	-	349	96	86	-	88
Other	-	-	-	-	-	-	-	-
	<u>322</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>96</u>	<u>86</u>	<u>-</u>	<u>88</u>
Excess (deficiency) of revenues over (under) expenditures	(307)	93	93	(156)	(3)	7	93	5
Balance beginning of year	<u>3,788</u>	<u>2</u>	<u>140</u>	<u>356</u>	<u>-</u>	<u>1</u>	<u>156</u>	<u>30</u>
Balance end of year	<u><u>3,481</u></u>	<u><u>95</u></u>	<u><u>233</u></u>	<u><u>200</u></u>	<u><u>(3)</u></u>	<u><u>8</u></u>	<u><u>249</u></u>	<u><u>35</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	Jr High Jamison	Jr High Harrell	High School Podhajsky	Community Builders	HS Art Scholarship	Globe Project	Soesbe McElroy Funds	Greelee WalMart
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Interest on investments	-	-	-	-	-	-	-	-
Contributions	93	-	317	-	1,000	-	2,096	-
	93	-	317	-	1,000	-	2,096	-
Expenditures:								
Instruction:								
Regular instruction:								
Supplies	208	-	834	162	-	80	2,322	31
Other	-	-	-	-	500	-	-	-
	208	-	834	162	500	80	2,322	31
Excess (deficiency) of revenues over (under) expenditures	(115)	-	(517)	(162)	500	(80)	(226)	(31)
Balance beginning of year	115	227	1,627	162	1,046	128	1,046	885
Balance end of year	-	227	1,110	-	1,546	48	820	854

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2005

	HS <u>Inclusion</u>	Shell Rock <u>Goodrich</u>	Rotary <u>Athletic</u>	Athletic Pepsi <u>Donation</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	-	-	-	-	514
Contributions	5,715	-	725	-	42,890
	<u>5,715</u>	<u>-</u>	<u>725</u>	<u>-</u>	<u>43,404</u>
Expenditures:					
Instruction:					
Regular instruction:					
Supplies	5,540	1	-	-	38,288
Other	-	-	-	-	2,100
	<u>5,540</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>40,388</u>
Excess (deficiency) of revenues over (under) expenditures	175	(1)	725	-	3,016
Balance beginning of year	<u>1</u>	<u>1</u>	<u>(725)</u>	<u>26,000</u>	<u>103,087</u>
Balance end of year	<u><u>176</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>26,000</u></u>	<u><u>106,103</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
HS Benevolent	233	220	322	131
IAMLE	-	1,685	1,110	575
Irving Social Fund	65	495	400	160
Basketball Booster Club	286	-	-	286
Maintenance Courtesy	65	40	79	26
Transportation Courtesy	94	60	182	(28)
Irving Parent Account	620	10,092	8,175	2,537
Secretary Courtesy	32	104	70	66
Concessions - Athletic Boosters	34,475	49,817	71,747	12,545
Membership - Athletic Boosters	5,698	2,921	8,069	550
Athletic Boosters - Facility/Equipment	6,568	21,227	262	27,533
Athletic Boosters - Addl Events	1,112	14,064	14,676	500
Athletic Booster Resale	1,914	13,701	13,387	2,228
Athletic Boosters Budgeted	-	21,423	20,810	613
Athletic Boosters Wishlist	-	20,448	19,618	830
Athletic Boosters Operational	-	2,422	1,770	652
Afghan Reading Project	9	244	250	3
W-SR Girls Basketball Camp	2,979	3,474	4,782	1,671
	<u>54,150</u>	<u>162,437</u>	<u>165,709</u>	<u>50,878</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	4,804,049	5,117,785	5,112,136	4,799,209
Mobile home tax	4,371	4,914	15,650	5,188
Local option sales tax	687,408	852	828	2,322
	<u>5,495,828</u>	<u>5,123,551</u>	<u>5,128,614</u>	<u>4,806,719</u>
State sources:				
State foundation aid	6,429,625	6,048,223	6,059,274	5,985,343
Instructional support state aid	70,903	-	-	-
School improvement and technology	-	-	-	39,746
AEA flow through	544,101	541,453	575,243	576,112
Shelter care/juvenile home aid	31,458	127,096	118,276	183,354
Educational excellence program:				
Phase I	10,302	10,307	10,573	10,573
Phase II	152,836	153,244	155,754	158,881
Phase III	-	-	41,438	93,608
Non-public transportation aid	8,196	21,640	14,781	9,984
Non-public textbook aid	2,216	2,042	1,968	2,185
Non-public technology aid	-	-	-	4,945
Revenue in lieu of taxes - military credit	3,730	4,916	5,025	4,109
Lunch and breakfast program claims	8,892	9,251	9,127	9,570
Vocational aid	15,885	16,084	18,646	20,610
At risk programs	16,728	16,400	34,357	44,538
Iowa Early Intervention Block Grant	88,894	88,929	95,479	93,409
Teacher quality and improvement program	154,793	133,941	117,815	115,371
Evaluator training	-	-	4,000	-
Teacher mentoring program	-	6,500	6,500	2,600
Other state aid	-	3,651	-	-
	<u>7,538,559</u>	<u>7,183,677</u>	<u>7,268,256</u>	<u>7,354,938</u>
Federal sources:				
Class Size Reduction	-	-	-	34,165
ComServ Iowa	-	500	5,000	4,500
Eisenhower Math & Science	-	-	-	9,163
Improving Teacher Quality	51,356	52,140	57,393	-
Goals 2000	-	-	-	27,072
Safe and Drug Free Schools	8,093	7,476	3,566	7,294
Title I Grants to Local Educational Agencies	232,958	209,497	143,545	155,924
Vocational Education - Basic Grant	16,607	15,261	36,261	-
Special Education - Grants to States	-	71,369	1,975	-
Innovative Education Program Strategies	7,724	10,522	10,461	10,641
Grants for Assessments and Related Activities	12,066	22,011	-	-
Iowa Construction Demonstration Grant	-	75,902	-	-
National School Lunch, Breakfast and Special Milk Programs	167,362	163,950	145,108	151,352
Food Distribution	57,608	47,628	54,750	53,282
	<u>553,774</u>	<u>676,256</u>	<u>458,059</u>	<u>453,393</u>
	<u>13,588,161</u>	<u>12,983,484</u>	<u>12,854,929</u>	<u>12,615,050</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY05	<u>57,608</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY05	11,226
National School Lunch Program	10.555	FY05	<u>156,136</u>
			<u>167,362</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6840-G-05	113,524
Title I Grants to Local Educational Agencies	84.010	6840-GC-05	<u>18,593</u>
			<u>132,117</u>
Title I Neglected and Delinquent Children	84.012	6840-D-05	63,925
Innovative Educational Program Strategies (Title V)	84.298	FY05	11,110
Grants for Assessments and Related Activities	84.369	FY05	12,066
Improving Teacher Quality - Grants to States	84.348	FY05	54,908
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY05	6,737
Vocational Education - Basic Grants to States	84.048	FY05	<u>14,923</u>
Total			<u><u>520,756</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Waverly-Shell Rock Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

October 4, 2005

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Waverly-Shell Rock Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 05-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 05-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

October 4, 2005

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education AgenciesSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Numbers: 6840-G-05, 6840-GC-05

Federal Award Year: 2005

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2005

US Department of Agriculture

Passed through Iowa Department of Education

05-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

05-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted in any of the four functions.

05-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:
(continued) :

- 05-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-IV-J Certified Enrollment - The number of tuitioned out resident students reported to the Iowa Department of Education on line 3 of the Certified Enrollment Certification Form for September, 2004 was understated. The District's certified enrollment count excluded resident students on line 3. This resulted in understating the total actual enrollment at line 7 by 8 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.